



T.RowePrice

PANORAMA

QUARTERLY THOUGHT LEADERSHIP PUBLICATION FOR OUR CLIENTS

FIRST QUARTER, 2025

GLOBAL MARKETS

Three important insights from 2024

GLOBAL FIXED INCOME

“Uneasy” equilibrium creates an opportunity in global fixed income

RETIREMENT THEMES

Ways to Help Women Overcome the Retirement Savings Gap

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Global Select Equity: A unique value proposition

EMERGING MARKETS

Unlocking opportunities: Market broadening and a new chapter for emerging markets

PERSONAL PROFILE

Meet Iona Dent, Associate Portfolio Manager, Global Growth Equity Strategy

WELCOME.....

.....to the first quarter 2025 edition of Panorama, T. Rowe Price's investment magazine for Asian investors.

One month into the new year and investors are learning to grapple with what they have been told will be a more volatile market environment in 2025. But U.S. policy uncertainties and geopolitical tensions apart, the global economy is still expanding at a near trend rate, inflation is in retreat, and companies continue to deliver on earnings. So while valuations are not cheap, there is no reason to panic.

We begin this issue with Global Multi-Asset Division's Tim Murray, who points to three investment trends in 2024 that he believes could continue to influence markets in 2025, viz a shift in risks from recession to inflation, U.S. equity outperformance, and signs that Federal Reserve rate-cuts will be modest.

In global fixed income markets, Ken Orchard and Vincent Cheung see an "uneasy" equilibrium where tight labor markets and resilient activity are not significantly pushing up U.S. inflation for now. They think this fragile balance could easily be upended, however, suggesting it might be wise for bond investors to diversify away from U.S. duration exposure.

Turning to investing for retirement, Thought Leadership Director Judith Ward believes lessons from our U.S. survey on the gender gap in retirement saving will be of strong interest to women savers in Asia, where Asian pension schemes have lagged behind their U.S. counterparts.

Next, Global Portfolio Specialist Rahul Ghosh argues that three things make T. Rowe Price's Global Select Equity Strategy stand out among its peers and competitors: (1) uncorrelated alpha, (2) a high active share, and (3) strong risk management. With a portfolio of around 35 stocks and a high active share in excess of 80%, Global Select provides investors with high conviction stock picking.

Scott Berg, who manages T. Rowe Price's Global Growth Equity Strategy, thinks the dynamics of global equity markets in 2025 are changing. The focus is shifting from the dominance of a few major technology companies to much broader market participation, with while emerging markets could be on the rise again. The broadening of equity market returns should be good for active investors.

In our Personal Profile interview, we spoke with Iona Dent. Based in Washington, Iona is the associate PM for T. Rowe Price's Global Growth Equity Strategy, working closely with Scott Berg. Her key focus is on financials, consumer staples, and industrials among global sectors, and emerging markets (EM) among regions.

We welcome comments and feedback from our readers and our contact details can be found on page 27.

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Meet Iona Dent, Associate Portfolio Manager, Global Growth Equity Strategy

Three important insights from 2024



Key Insights

- We saw three fundamental investment trends in 2024 that we believe could continue to influence capital market behavior in 2025.
- These include a shift in risks from recession to inflation, extreme U.S. equity outperformance, and signs the Federal Reserve's rate-cut cycle will be modest.



Tim Murray, CFA®
*Capital Markets Strategist
Multi-Asset Division*

There were lessons to be learned from economic and market developments in 2024, including three important insights that we think investors should keep in mind as we move into 2025.

Risks have shifted from recession to inflation

As we entered 2024, concerns lingered about the potential economic impact of rate hikes made in 2022 and 2023 by the U.S. Federal Reserve and other key central banks. However, as the year progressed, global growth expectations for both 2024 and 2025 moved higher, with forecasted growth for the U.S. experiencing the sharpest uptick.

But inflation concerns reignited in the latter part of 2024 (Figure 1). This was partially

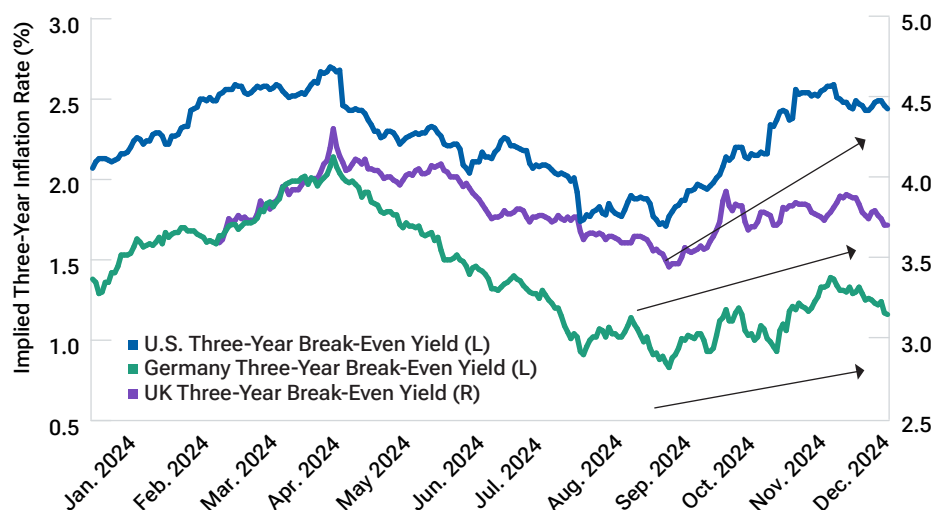
due to concerns about the potential impact of U.S. President Donald Trump's campaign promises of higher tariffs and tighter immigration controls.

There also was evidence in late 2024 that inflation rates had stopped falling, with the three-month moving average for the U.S. consumer price index showing a clear upward trend since last July. Notably, services inflation remained somewhat sticky while goods inflation began to show hints of rebounding.

The implication for investors is that they should consider whether their portfolios are properly hedged against inflation risks. They may want to consider adding exposure to asset classes such as natural resources equities that historically have responded well to higher inflation.

Inflation risks have increased

(Fig.1) Market-implied inflation expectations



January 1, 2024, to December 17, 2024.

L=Left axis. R=Right axis. Break-even yield = The yield difference between an inflation protected bond and an equivalent nominal bond with the same maturity. Break-even yields provide a forecast of expected inflation. **There is no guarantee that any forecast will come to pass.**

Sources: Bloomberg Finance L.P., U.S. Bureau of Labor Statistics/Haver Analytics.

“U.S. exceptionalism” has become more extreme

One long-running trend that strengthened dramatically in 2024 was “U.S. exceptionalism”—the idea that the U.S. enjoys unique structural advantages over other global markets. Not only did the U.S. economy experience one of the sharpest upticks in expected growth, but U.S. earnings expectations grew at an even faster rate.

U.S. outperformance in 2024 was driven by several fundamental factors, including U.S. dollar appreciation, a surge in capital spending in artificial intelligence infrastructure, and the incoming Trump administration’s promises to relax regulatory burdens and seek lower corporate tax rates.

But the trend now appears somewhat extreme, in our view. From December 31, 2010, to December 17, 2024, the average one-year outperformance of the Russell 3000 Index relative to the MSCI All Country World

Index ex U.S. was +6.18%. But, over the year ended December 17, 2024, that difference ballooned to +13.89%.

The bottom line is that stock markets have priced in a great deal of “U.S. exceptionalism.” A partial reversal could be on the horizon if elevated U.S. earnings expectations are not met in 2025.

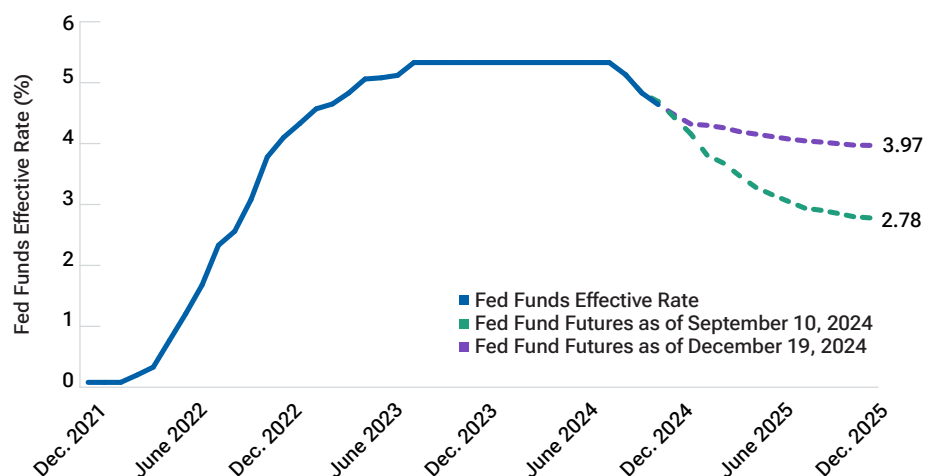
The Fed’s rate-cutting cycle will be modest

At the end of 2023, the Fed “pivoted,” as Chairman Jerome Powell indicated that rate cuts were likely to begin some time in 2024. This led many investors to increase their allocations to longer-duration U.S. Treasury bonds.

However, the U.S. economy proved much more resilient than expected in 2024. Progress on curbing inflation also appears to have stalled. So expectations for Fed rate cuts have turned considerably more modest (Figure 2). As of December 19, 2024, futures markets

A modest Fed cutting cycle is expected

(Fig. 2) Federal funds effective rate and futures market pricing



December 31, 2021, to December 19, 2024.

There can be no assurance that the projected results will be achieved or sustained. They are not indicators of future results.

Source: Bloomberg Finance L.P.

were pricing in an end point of 3.97% for the key federal funds rate—just 1.4 percentage points below the most recent rate peak.

This shift had numerous implications for asset class performance. Cash once again proved to be king in 2024, as very short duration bonds not only were sheltered from rising rates, but maintained healthy yield levels through the year. If inflation

remains stubborn, that might again be the case in 2025.

Conclusion

T. Rowe Price's Asset Allocation Committee will closely monitor these and other key issues as we move forward in 2025 and will update investors accordingly as they play out.

“Uneasy” equilibrium creates an opportunity in global fixed income



Since September 2024, the U.S. Federal Reserve (Fed) has lowered its benchmark interest rate by a full percentage point. However, the market’s reaction to the start of the Fed’s long-anticipated easing cycle has been perplexing for many investors as yields on U.S. 10-year Treasuries rose sharply over the period.

An uneasy equilibrium

Recent U.S. economic data offer a hint about the underlying factors behind

the atypical bond market movements. Although job growth unexpectedly surged in December, the inflation print for that month was largely benign, as it showed core consumer prices moderating slightly. Hence, T. Rowe Price’s Chief U.S. Economist, Blerina Uruci, suggested that the U.S. economy is presently in an “uneasy equilibrium” where tight labor markets and resilient activity are not significantly pushing up inflation ...for now.

This fragile balance could be easily upended, however, particularly given heightened policy uncertainty following



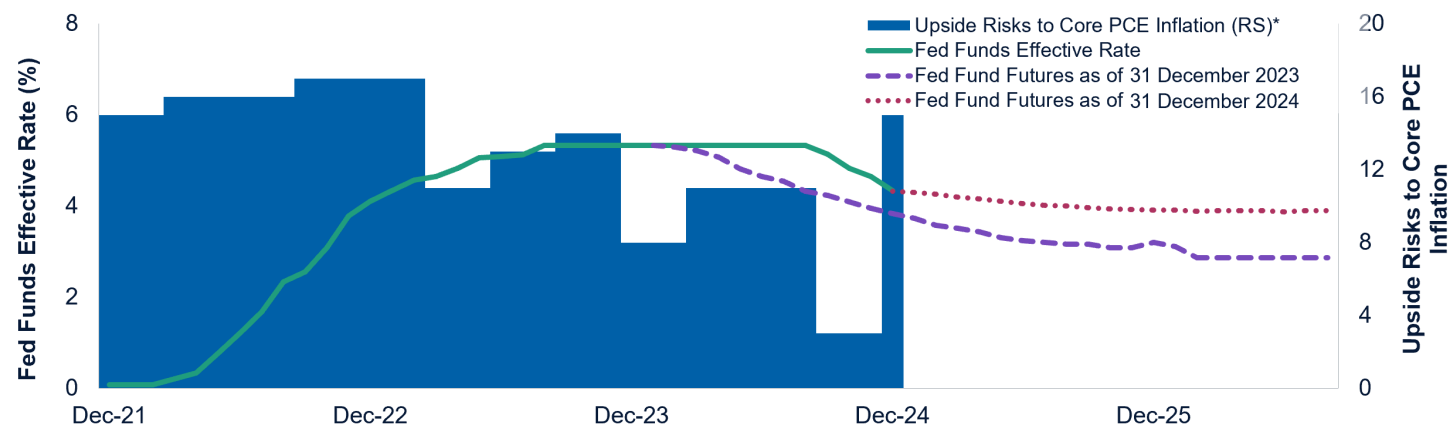
Kenneth A. Orchard
Head of International Fixed Income



Vincent Chung
Portfolio Manager, Global Fixed Income

Slower easing ahead

(Fig. 1) Inflation risks and strong labor halting Fed cuts



31 December 2021 to 31 December 2024

*FOMC Participants’ Assessments of Uncertainty & Risks, Risks to Core PCE Inflation, Weighted to Upside, Estimate

Sources: Bloomberg Finance L.P., Macrobond / Federal Reserve

Donald Trump's return to the White House. While President Trump's policy agenda is well-telegraphed, many questions persist on how and when his plans will be implemented, along with their potentially divergent impacts on the economy and inflation. For example, a fiscal package to extend the 2017 tax cuts may lift growth at the margin this year but also contribute to an unwelcome tightening in the labor market. The specter of higher import tariffs and aggressive immigration reform are also likely to bring upside risks to inflation.

Beyond this, concern is growing about the sustainability of sovereign debt levels across the developed world, which have ballooned as countries sought to support their economies in response to the COVID pandemic. Consequently, global rates markets, led by the U.S., have become highly sensitive to headlines that might disrupt prevailing narratives.

All of the above points to further uncertainty over the path for U.S. interest rates. Already, the Fed has pivoted to a more hawkish tone, with policymakers signaling concerns about potential inflationary risks associated with the incoming administration's policies. Interestingly, some investors had begun

to completely price out any rate cuts in 2025. We still believe, however, that the Fed will reduce borrowing costs twice, albeit towards the back half of the year. Nonetheless, that would still leave the "terminal rate", or the interest rate level required for a balanced economy, in a 3.75% to 4% range, well above an estimated pre-pandemic neutral rate of 2.5%. From this perspective, it's clear that expectations of an environment of generally higher rates, not just higher for longer, have gathered momentum recently.

Outside the U.S., the global economy is also arguably in a state of uneasy equilibrium, with global growth just strong enough to avoid recession. The story starts with China, which has turned to excess industrial production to maintain its growth pace while grappling with a seismic residential property overhang that has paralyzed consumption. As a result, China has been an exporter of deflation, leading to stiff headwinds for manufacturing and commodity-based economies in Europe and Latin America.

A good moment for global fixed income

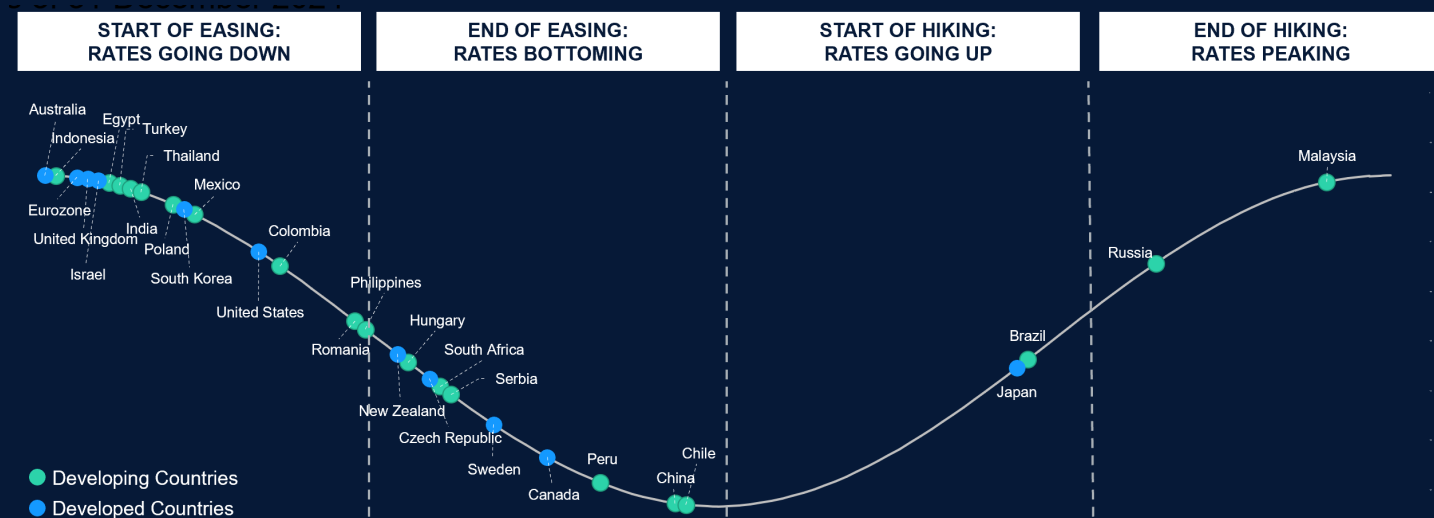
With high-duration U.S. assets potentially struggling amid continuing U.S. economic exceptionalism, we believe it is a good "moment" for global fixed income. This is because today's world is less globalized than before, with different countries and regions at varying stages of their economic and monetary policy cycles.

In our view, this asynchronous profile opens up various appealing diversification and total return opportunities for bond investors in 2025. Consider, for example:

- The European Central Bank is likely to continue aggressively easing its policy stance in the first half of 2025 amid continued soft activity levels;
- Canadian monetary policy, historically closely correlated with the U.S., has meaningfully diverged;
- Dynamic and independent monetary policy can be seen from emerging market central banks, exemplified by recent monetary policy trends in Latin American countries, such as Brazil and Chile;

Divergent monetary policy is today's fixed income reality

(Fig. 2) Illustrative interest rate cycles for developed and emerging economies



As of 31 December, 2024.

Sources: IMF, CB Rates, with T. Rowe Price analysis.

US, UK and China bond yields

(Fig. 3) A major divergence occurred in 2024



Past performance is not a reliable indicator of future performance.

Source: Bloomberg Finance, L.P.

— Although China has begun to resemble Japan's deflationary experience from the 1980s from a rates perspective, signals that Beijing could ramp up stimulus with a focus on boosting consumption could easily change the narrative.

Prospects for some other markets appear positive too. Amid rising trade tensions between China and the U.S., Southeast Asian countries, such as Malaysia, the Philippines, and Vietnam, along with India and Japan, may be economic beneficiaries.

A more global fixed income approach in 2025 would enable investors to gain exposure to some of the compelling opportunities mentioned above. Notably, taking advantage of the full global bond opportunity set allows for the identification of more promising and better-valued investment options across a wider array

of markets. More importantly, this would help to diversify sources of returns and risks, which can provide a buffer in times of higher market volatility.

The case for an active, diversified approach in 2025

In a landscape laced with uncertainty, investors continue to seek solutions that can deliver consistent income while remaining resilient against ongoing macro and political crosscurrents. In our view, this reinforces the case for considering an allocation to global fixed income, which would allow investors to lock in attractive income streams by taking advantage of still-elevated yields, while offering the potential for steadier returns by harnessing the benefits of diversification. A more global scope also expands the rates

universe, enabling investors to express directional and relative value views on rates worldwide and diversify away from over-concentrated U.S. duration exposure. In addition, it opens up access to a wider range of fixed income sectors beyond rates, including credit sectors, securitized assets, and emerging market bonds, some of which may offer even better carry and income potential.

However, with volatility expected to persist, being disciplined and selective also becomes ever more important. Hence, we believe that an active and flexible investment approach that is able to tactically adjust exposures as market conditions evolve, coupled with maintaining effective diversification, is especially suited to today's uncertain environment.

Ways to Help Women Overcome the Retirement Savings Gap

Addressing barriers to retirement savings for Asian women.



Key Insights

- Women lag far behind men in terms of retirement contributions, savings, and confidence.
- Typically, lower incomes, higher debt loads, and shorter job tenures are some of the factors contributing to the gender savings gap.
- Women could help narrow the retirement savings gap by taking steps that may improve personal finances and build financial confidence.



Judith Ward, CFP®
Thought Leadership
Director

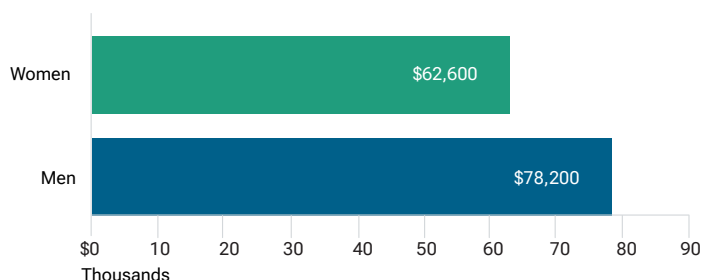
Gender is an important dimension of the retirement savings gap. In 2023, the T. Rowe Price Retirement Savings and Spending Study surveyed a nationally representative group of U.S. individual pension plan participants, focusing on the

gender gap in retirement saving, where the disparities are striking. Asian pension schemes have lagged behind their U.S. counterparts. Nevertheless, we believe the lessons from our U.S. survey will be of strong interest to women savers in Asia.

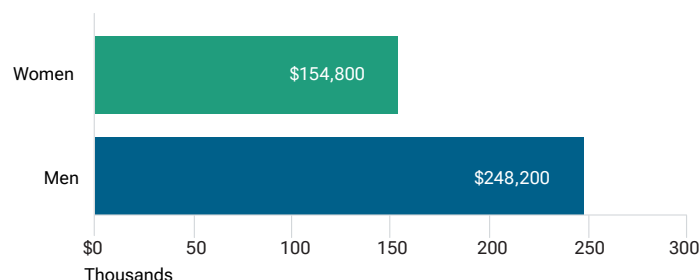
U.S. Women Typically Earn—and Save—Less Than Men

(Fig. 1) Despite some progress, a gender income and savings gap persists.

Average Annual Income



Average Retirement Account Balances¹



Source: T. Rowe Price Retirement Savings and Spending Study, 2023.

¹ Includes current and former workplace plans and IRAs.

Our analysis showed that women in the U.S. were contributing less annually to their workplace pensions and had significantly lower retirement account balances (Figure 1).

Therefore, it is understandable that women's level of financial stress is higher with 62% of American women reporting high and moderate levels of stress compared with only 47% of men.

The gender gap in retirement savings is a challenge for women who are preparing for retirement, and we understand that there are various social and economic factors that significantly affect women's ability to save. In our research, we examine how traditionally lower incomes, along with factors such as participation in retirement plans, debt, and job tenure, may be contributing to the gender retirement savings gap.

Lower Income Means Lower Contributions

Although many employers have made progress in addressing the gender pay gap, national averages reflect that women typically earn less than men. In our survey of pension plan participants, the average income of women was 80% that of men (Figure 1).

The median contribution rate women expected to defer over the next 12 months,

including both the employer and employee contribution, is 11% of their income, compared with 12% for men. (T. Rowe Price's recommended target is 15%, including company match, if available.)

The one-percentage-point difference in the contribution rate seems marginal, but when coupled with a lower income base, the long-term compounded effect can result in dramatically lower retirement account balances for women. Women's retirement security may be at risk because lower income coupled with higher levels of debt limit women's ability to save.

Women Carry a Higher Debt Burden

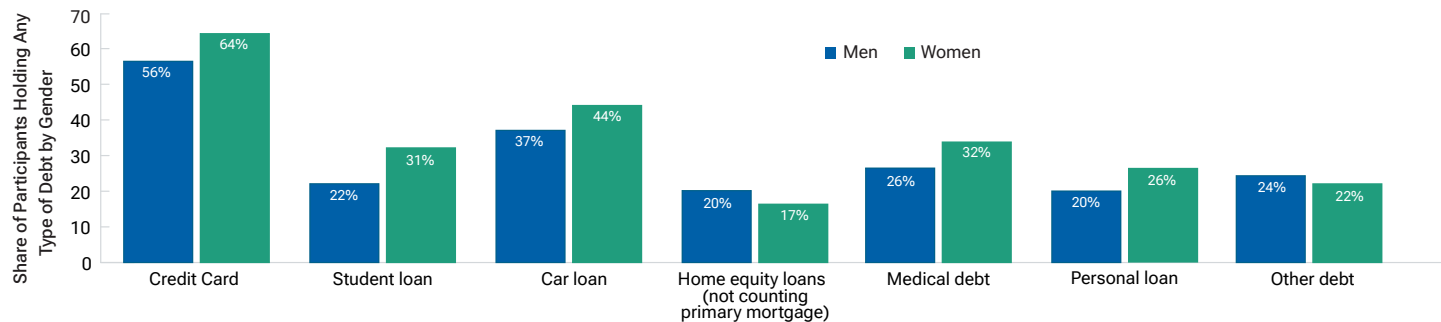
For many retirement savers, paying off debt is a high financial priority that competes with retirement saving. This is particularly true for women. Our analysis found that more American women than men held debt across all categories except for home equity loans. The disparity in student loan debt, in particular, is notable. In our study, 22% of men and 31% of women reported that they had student loan debt (Figure 2).

Digging deeper, we find that, of those with student loan debt, the average amount for women was over \$30,500, while about \$28,250 for men. Having student loan payments may hamper one's ability to save (Figure 3).

“ Women’s retirement security may be at risk because lower income coupled with higher levels of debt limit women’s ability to save.

More Women Held Debt in Almost Every Category

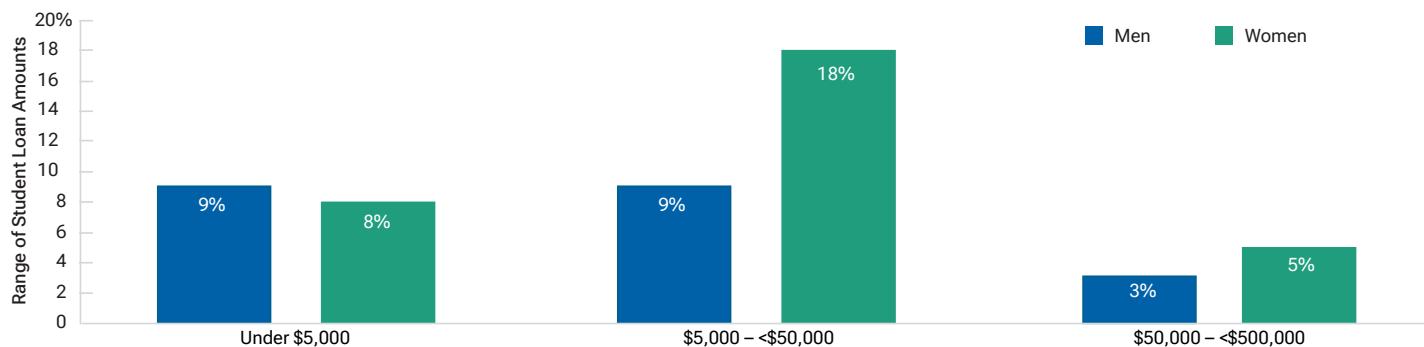
(Fig. 2) Significantly more women than men had outstanding student loans.



Source: T. Rowe Price Retirement Savings and Spending Study, 2023.

U.S. Women Carry Higher Levels of Student Loan Debt

(Fig. 3) Twice as many women carry between \$5,000 and \$50,000 of student debt compared with men.



Source: T. Rowe Price Retirement Savings and Spending Study, 2023.

Women's Unique Challenges

Women should take their unique needs into consideration when planning for retirement, and we believe that financial wellness programs offered within retirement plans can be beneficial. You can also seek financial education and guidance from financial institutions, a financial advisor, or a financial coach.

Helping Asian women overcome the retirement savings gap will leave them better prepared for the challenges they may face in retirement. Statistically, women live longer than men. And our research indicates that more women than men are divorced, widows, or never married in retirement. Taking steps to improve individual finances and becoming comfortable with financial decisions can be empowering and could position Asian women for a more secure retirement.

Simplify Savings With These 3 Steps

Don't let a lack of confidence in investing stop you from getting started with saving for your future.

1. Consider target date investments.

Many employees today may be automatically enrolled in their workplace

plan in an age-based target date investment. These investments are already diversified for you, and the allocation automatically adjusts over time. If one isn't sure how to invest, a target date investment may be a good place to start.

2. Determine your contribution rate.

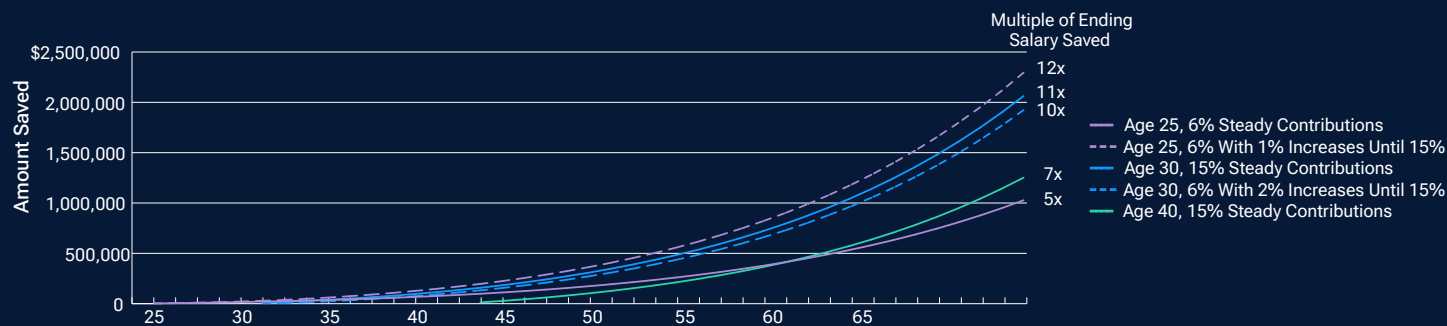
To pursue a successful retirement, generally, workers should aim to save at least 15% of their salary, including any employer contributions if available in their workplace plan. That may be a lofty goal for many retirement savers, so consider starting with the minimum needed to take full advantage of any company match, generally 6% of salary.

3. Step up savings.

If you can't save enough right away, plan to increase your contribution rate by one or two percentage points each year (Figure 4). Automating annual increases can make upping contributions each year simple. Our analysis indicates, to accumulate enough money to retire, one rule of thumb is to have saved 11 times your preretirement salary at age 65. Some workplace plans offer a service that will automatically escalate your contribution amount each year. Make sure to enroll. You can always opt out later if you need to.

Saving Early Makes a Difference

(Fig. 4) Starting early and steadily increasing your contributions up to the 15% target can help you reach your retirement savings goal.



Assumptions: Examples beginning at age 25 assume a beginning salary of \$40,000 escalated 5% a year to age 45 then 3% a year to age 65. Examples beginning at age 30 assume a beginning salary of \$50,000 escalated 5% a year to age 45 then 3% a year to age 65. Example beginning at age 40 assumes a beginning salary of \$80,000 escalated 5% a year to age 45 then 3% a year to age 65. Annual rate of return is 7%. All savings are assumed to be tax-deferred. Multiple of ending salary saved divides final ending portfolio balance by ending salary at age 65. This example is for illustrative purposes only and is not meant to represent the performance of any specific investment option. The assumptions used may not reflect actual market conditions or your specific circumstances and do not account for plan or IRS limits. Please be sure to take all of your assets, income, and investments into consideration in assessing your retirement savings adequacy.

Make a Plan: Use Available Tools and Resources

Workplace retirement plans often provide financial tools, guidance, and services that female employees can use to assess their financial situation and then create a financial plan, which can help build financial confidence. Also, anyone can increase their financial literacy by engaging with these resources that typically include budgeting apps, podcasts, books, online articles, and videos, among other content. Both formal and informal education can

empower Asian women to take charge of their financial futures.

Have a spending plan

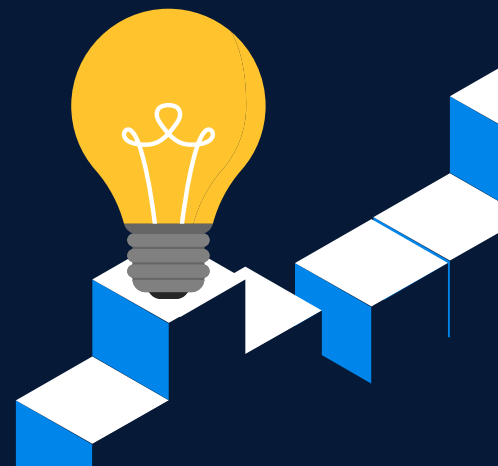
A budget, or spending plan, can provide a framework to track expenses and accommodate savings goals. Understanding how and where money is spent can help identify opportunities to reduce expenses and potentially increase retirement savings.

Retirement Savings and Spending Study

The Retirement Savings and Spending Study is a nationally representative online survey of 401(k) plan participants and retirees. The survey has been fielded annually since 2014. The 2023 survey was conducted between July 24, 2023, and August 13, 2023. It included 3,041 401(k) participants, full-time or part-time workers who never retired, currently age 18 or older, and either contributing to a 401(k) plan or eligible to contribute with a balance of \$1,000 or more. The survey also included 1,176 retirees who have retired with a Rollover IRA or left in plan 401(k) balance.

Global Select Equity: A unique value proposition

High-conviction stock picking + rigorous risk management



What does Global Select offer?

T. Rowe Price's Global Select Equity Strategy provides clients with a unique offering in the global equity large cap core space. It seeks to deliver consistent outperformance against the MSCI World Index Net through a combination of high-conviction stock picking and rigorous risk management across a balanced and diversified portfolio. In a nutshell, **"concentrated alpha with diversified risk."**

What makes this strategy unique?

We believe there are three things that make Global Select stand out among its peers and competitors: (1) Uncorrelated alpha, (2) High active share, and (3) Strong risk management.

1. Uncorrelated alpha. Global Select aims to deliver good performance with a low correlation to market movements. Analyzing the correlation of the weekly excess return of the strategy to market returns, the correlation today stands at about 0.13. For comparison, the

T. Rowe Price Global Focused Growth and Global Growth Equity strategies have a correlation of around 0.4 to 0.5 to their respective benchmarks. Similar to Global Select, our analyst-driven U.S. Structured Research strategy also has a low correlation of 0.11 to its benchmark.¹

2. High active share and concentration.

With a portfolio of around 35 stocks and a high active share in excess of 80% (as of 30 September 2024), Global Select is most definitely not your average "diversified core" or "closet index" type of equity strategy. Rather, it is "conviction stock picking" by the manager, leveraging the deep knowledge of T. Rowe Price's global research platform.

3. Risk management: the strategy strikes a judicious balance between style/factor risk (managing growth and value) and economic cycle risk (balancing cyclical versus defensive exposure). What this means is that in practice Global Select's portfolio of around 35 holdings can be considerably less risky than a portfolio with 100 plus names.



Rahul Ghosh
*Portfolio Specialist,
Global Equity*

¹ As of 25th October 2024. Source: T. Rowe Price performance data from January 2021.

How do we achieve this trifecta of desirable portfolio properties?

Global Select is not simply a quant strategy in disguise. Rather, it is built upon a bedrock of fundamentals. The manager's investment process involves 3 key steps: (1) stock selection, (2) stock level risk assessment, and (3) balanced portfolio construction.

1. Stock Selection. The first step in constructing the portfolio is qualitative. The manager, Peter Bates, seeks "good businesses that are not going backwards," in essence screening for companies which he believes possess a durable competitive edge and low

downside risk. For example, while Peter may be positive on e-commerce and digital advertising, a name like Alphabet may not screen well due to the risks that emerging AI technology and regulatory pressures could have on its core business. He will therefore work closely with the T. Rowe Price global research platform in order to benefit from the deep domain expertise they possess in order to find alternative holdings.

2. Assessing Risk and Return. To make money consistently it is not enough simply to own good businesses and experienced investors know that you must acquire them at attractive prices.

The Global Select Equity Strategy uses a process which we term the "Return Matrix" to assess our holdings from a potential risk-return perspective. Every stock we analyze is examined across 4 alternative global economic scenarios - Recession / Slow growth / Base case and Upside case. In each scenario we estimate what a company might earn and where it might trade to get a probable outcome and assess the overall expected return.

Using the hypothetical example below, the Return matrix on the left assesses the potential outcome under each scenario. In the right-hand chart we show how the expected return tracks vs the stock price for easy illustration.

Hypothetical Example: Global Select Equity Strategy "Return Matrix"

(Fig. 1)

Expected returns analysis across economic scenarios

Return Matrix	Scenario				Weighted
	Recession	Slow Growth	Base Case	High Growth	
Current Price (\$)	80	80	80	80	
Probability	15%	25%	50%	10%	
2025e eps	3.00	3.75	5.40	7.00	
P/E	20.0x	19.0x	20.0x	22.0x	
Target price (\$)	60.0	71.3	108.0	154.0	96.2
Return	-25%	-11%	35%	93%	20%

Source: T. Rowe Price. For illustrative purposes only.

Current stock price versus expected return over time



Global Select is looking to buy stocks that are pricing in negativity, i.e. *where the expected return is high*. In the above illustration, the right-hand chart is demarcated into what one can broadly think of as "BUY" and "SELL" zones. The "BUY" zone is where expected return is attractive and where we would look to add new positions or accumulate while the "SELL" zone is where we would trim the holding as the stock price appreciates. We can think of the area in the middle as a range where we monitor and adjust position sizing based upon our expected returns.

3. Creating Balance: Stocks that pass the first two stages of the selection procedure described above do not

automatically enter the Global Select portfolio. Step 3 is crucial to the investment process, as it assesses how each stock fits within the portfolio, and whether we are creating any portfolio tilts or biases unintentionally. Rather than think about portfolio balance as purely on a spectrum of Value to Growth, Global Select thinks of stocks as belonging to 3 different categories:

a. Cyclical and turnarounds:

companies where, through our in-house research, we have identified positive cyclical or structural change factors that can act as a "catalyst" for a stock to rerate (e.g. General Electric being restructured under Larry Culp).

b. Steady growth: companies that have established business models, can demonstrate a clear strategy, and can exhibit good execution and earnings growth over the course of a business cycle (e.g. Apple or Richemont)

c. Disruptors: these are businesses that are gaining share, have large addressable markets, and where there are potential opportunities for extreme outcomes. This is not just technology, and most certainly not a euphemism for "profitless tech." Holdings in the Disruptors category need to have proven and cash generative business models (e.g. Eli Lilly or alternative asset managers).

Is risk management just about the “Return Matrix?”

Absolutely not – and this is where the strategy’s quantitative rigor comes in. Having identified and selected stocks, we also need to understand how our holdings may respond to shifts in the broader macro environment, and what our underlying factor exposure is.

Consider this hypothetical scenario where we have identified the following ideas – a construction company coming out of a

downturn (Cyclical), a world class medical imaging business (Steady growth) and a leading automation company (Disruptor). While optically we may have diversified exposure, we may have inadvertently put the portfolio at risk of a “growth scare” as all these companies typically need an accelerating economic environment in order to thrive. To avoid this unintended risk exposure, we analyze the sensitivity of our holdings to higher/lower growth environments as well as to higher/lower interest rate environments, and their

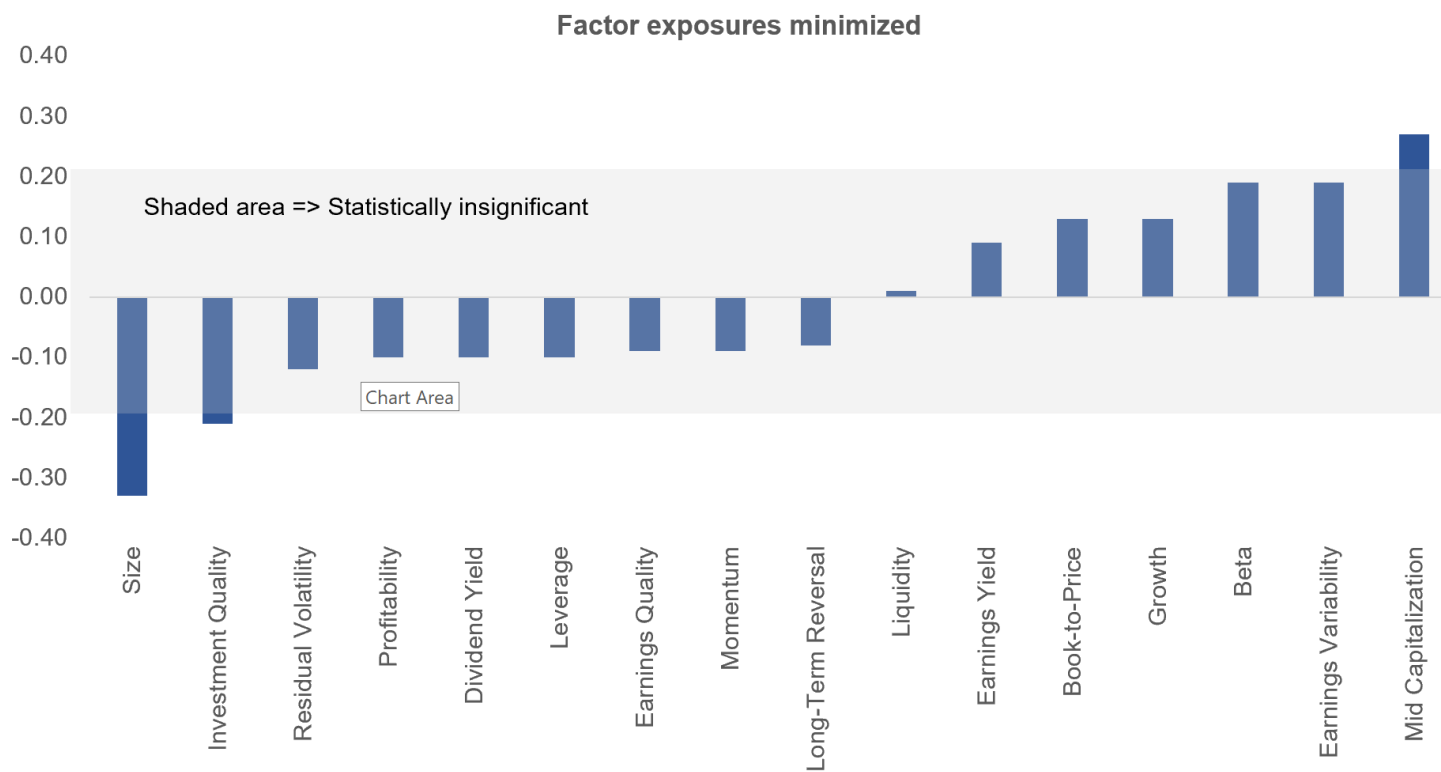
impact on the factor exposure of the portfolio (growth, value, size etc.).

It all comes down to this: **Risk Identification, Risk measurement, and Risk management.**

The manager’s goal is the following: To help ensure the Global Select portfolio does not have significant factor tilts, and that it is positioned to perform well under a range of alternative macro outcomes. “No excuses” is the refrain.

Factor exposures statistically insignificant

(Fig. 2) Global Select Equity Representative Portfolio

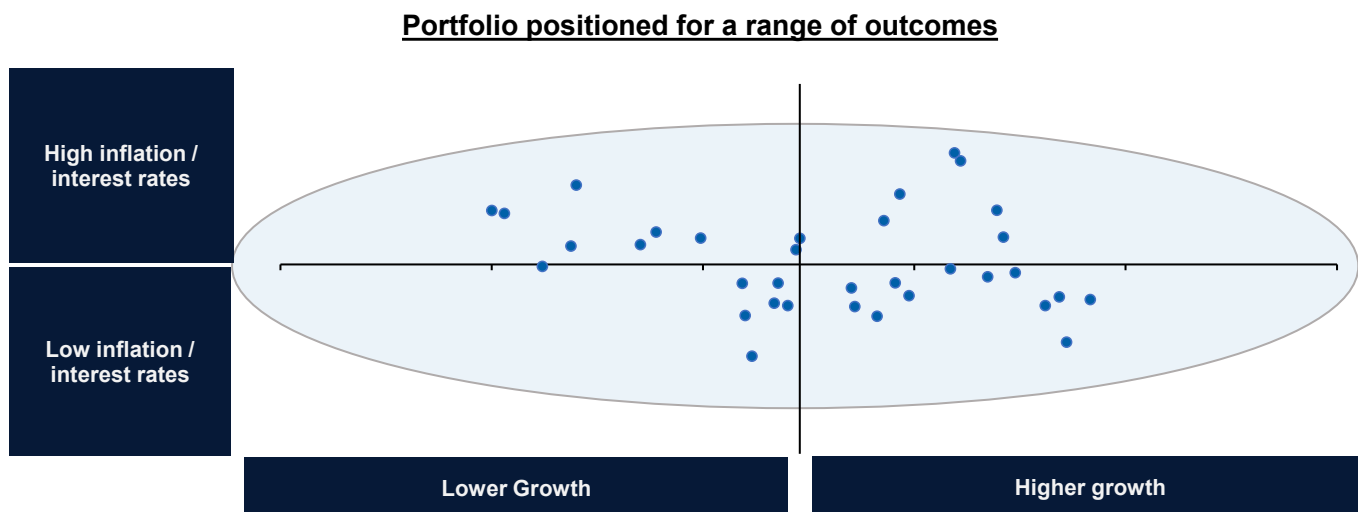


Past performance is not a reliable indicator of future performance.

Tracking Error computed versus the MSCI World Index.
Factor decomposition tracked at monthly intervals since inception, this represents risk contribution of factor vs stock specific sources of the strategy in aggregate. Data spans 1 January 2021 through 30 September 2024.
Source: BARRA, Inc.’s analytics and data (mscibarra.com) were used in the preparation of this report. Copyright 2024, BARRA, Inc. All rights reserved.
The inception date of the strategy is 29 December 2020. The analysis period is from 1 January 2021 (first full month since inception) through 30 September 2024. Please see the Additional Disclosures page for additional legal notices and disclaimers.

Portfolio positioned for a range of outcomes

(Fig. 3) Holding exposures to inflation/rates and economic growth



Source: T. Rowe Price. For illustrative purposes only. The unnamed securities shown above do not represent all of the securities purchased, sold, or recommended for the Global Select Equity Strategy. No assumptions should be made that the securities above were or will be profitable. The information provided in Figure 3 should not be considered as a recommendation to purchase or sell a particular security.

Do we use risk limits as part of risk management?

Global Select does not use hard stop-losses or risk limits that force us to sell a stock when down. This is for the following reasons:

1. With around 35 names, we stay on top of all our holdings and review them continually.
2. If we are negatively surprised and a stock is down, we will of course re-evaluate its prospects. Sometimes the conclusion is to sell, and other times it's to hold or to add.
3. We work hard to keep an open mind and avoid mental traps so that we don't automatically defend a holding because it's down. When the facts change, we change too. But it's always based on

well researched and informed opinions as opposed to rigid stop-loss rules.

Where does ESG consideration fit into the Global Select investment process?

ESG consideration is a critical part of stock selection², and we lean heavily on our internal, proprietary Responsible Investing Indicator Model ("RIIM"). The RIIM model categorizes stocks by 3 colour-coded levels. Green implies that there are no significant ESG issues that have been identified, Orange indicates that there are some ESG flags but that these are not insurmountable, while Red is for companies that have significant ESG issues that are not being meaningfully addressed.

The Global Select portfolio owns primarily Green-rated companies. We are happy to

own Orange-rated names where steps are being taken by company management to improve ESG governance, and we will exit those names where matters are deteriorating. We typically do not invest in Red-rated names because, simply put, these stocks will not fit with our desire to own "good businesses that are not going backward."

How has all the above translated into performance?

"The proof, my dear Watson", as Sherlock Holmes might say, is in the performance."

First – The facts

- Since inception in December 2020, the Global Select Equity Strategy has returned 12.9% annualized, with an annualized excess return of 2.1%.

² For certain types of investments, including, but not limited to, cash, currency positions, and particular types of derivatives, an ESG analysis may not be relevant or possible due to a lack of data. Where ESG considerations are integrated into the investment research process, we may conclude that other attributes of an investment outweigh ESG considerations when making investment decisions.

There has not been a single negative year despite the trials and tribulations of inflation, rates, pandemic, and geopolitics over the last three years. The portfolio outperformed around 60% of the time on a monthly basis³.

- This year (as of 30 September 2024) the strategy is up **23.3% in absolute terms and 4.4% relative to its benchmark³**.

Second – Some context

- Figure 4 below shows quarterly excess returns for Global Select Equity Composite (in blue) versus the difference between the MSCI World Growth and MSCI World Value Indices (in grey). There are two points to note here.
 1. Global Select was able to deliver alpha in both Growth and Value markets.
 2. The volatility of returns was **markedly lower** than that of the style gyrations in the market.

- Tracking error since inception was at less than 4% annualized. And of that 4%, over 75% came from stock specific risks. Looking back and decomposing historical returns as well, we find that the vast majority of alpha was generated from stock specifics as opposed to style or sector allocation. In other words, historical returns over this period would appear to validate the investment process.

Finally – Humility

- **“No excuses” does not mean “no mistakes”**. Like all of our global equity strategies, we will have occasional periods of underperformance. What it does mean is that we won’t be blaming the Fed, or Russia, or OPEC. Rather, we can identify the securities responsible for the underperformance, re-evaluate their investment theses, and adjust the portfolio wherever necessary. And through rigorous analysis and risk controls, we can support the view

that our mistakes are not terminally detrimental to portfolio returns.

Conclusion

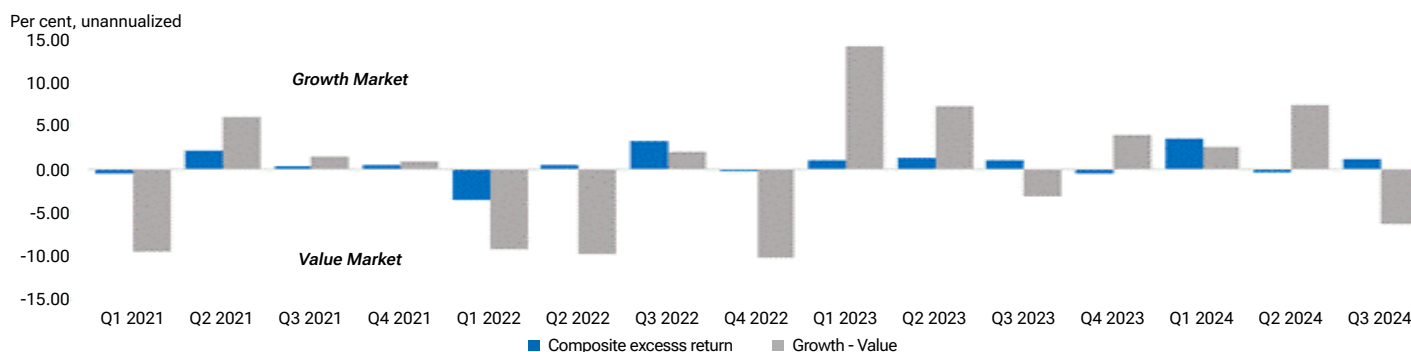
The search for alpha is never ending and market dynamics have become ever more complicated. In this challenging environment, T. Rowe Price’s Global Select Equity Strategy stands out among a wide range of active and passive competitors for this reason:

The manager Peter Bates follows a disciplined approach which encompasses high-quality stock selection based on company fundamentals and integrates this with systematic risk analysis and control, with the goal of generating consistent and repeatable alpha.

“Concentrated alpha, diversified risk.”

Global Select performance in ‘growth’ and ‘value’ markets

(Fig. 4) Quarterly excess return versus MSCI Growth-Value divergence



As of 30 September 2024.

Sources: MSCI, T. Rowe Price quarterly performance data.

³ **Past performance is not a reliable indicator of future performance.**

Performance is based on Global Select Equity Composite (Net of Fees). Figures are calculated in U.S. Dollars as of 30 September 2024. Net of fees performance reflects the deduction of the highest applicable management fee that would be charged based on the composite’s fee schedule, without the benefit of breakpoints. Net performance returns reflect the reinvestment of dividends and are net of all non-reclaimable withholding taxes on dividends, interest income, and capital gains.

The **1-, 3-, and Since-inception** (31 December 2020) annualized returns (Net of Fees) as of 30 September 2024 were **36.5%, 11.2%** and, **12.9%** for the composite. See the GIPS® Composite Report for additional information, including applicable fees. Composite excess return represents the difference in return of the Global Select Equity Composite (Net of Fees) and the MSCI World Index Net. Index returns shown with reinvestment of dividends after the deduction of withholding taxes.

Growth - Value represents the difference in return of the MSCI World Growth Index and the MSCI World Value Index.

Please see the Additional Disclosures page for additional legal notices and disclaimers.

GIPS® Composite Report

Global Select Equity Composite

Period Ended December 31, 2023

Figures Shown in U.S. dollar

	2021	2022	2023
Gross Annual Returns (%)	24.66	-18.00	27.26
Net Annual Returns (%) ¹	22.44	-19.51	24.99
MSCI World Index Net (%)	21.82	-18.14	23.79
Composite 3-Yr St. Dev.	N/A	N/A	18.06
MSCI World Index Net 3-Yr St. Dev.	N/A	N/A	16.75
Composite Dispersion	N/A	N/A	N/A
Comp. Assets (Millions)	9.0	11.6	17.7
# of Accts. in Comp.	1	3	3
Total Firm Assets (Billions)	1,653.6	1,237.4	1,403.8²

¹ The fee rate used to calculate net returns is 1.83%. This represents the maximum fee rate applicable to all composite members. Past performance is not a reliable indicator of future performance.

² Preliminary - subject to adjustment.

T. Rowe Price (TRP) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TRP has been independently verified for the 27-year period ended June 30, 2023 by KPMG LLP. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm wide basis. Verification does not ensure the accuracy of any specific composite presentation.

TRP is a U.S. investment management firm with various investment advisers registered with the U.S. Securities and Exchange Commission, the U.K. Financial Conduct Authority, and other regulatory bodies in various countries and holds itself out as such to potential clients for GIPS purposes. TRP further defines itself under GIPS as a discretionary investment manager providing services primarily to institutional clients with regard to various mandates, which include U.S., international, and global strategies but excluding the services of the Private Asset Management group. As of October 1, 2022, there is no minimum asset level for portfolio inclusion into the composite. Prior to October 2022, the minimum asset level for equity portfolios to be included in composites was \$5 million. The minimum asset level for fixed income and asset allocation portfolios to be included in composites was \$10 million. Valuations are computed and performance reported in U.S. dollars.

Gross performance returns are presented before management and all other fees, where applicable, but after trading expenses. Net of fees performance reflects the deduction of the maximum fee rate applicable to all composite members as shown above. Gross performance returns reflect the reinvestment of dividends and are net of non reclaimable withholding taxes on dividends, interest income, and capital gains. Gross performance returns are used to calculate presented risk measures. Effective June 30, 2013, portfolio valuation and assets undermanagement are calculated based on the closing price of the security in its respective market. Previously portfolios holding international securities may have been adjusted for after-market events. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within a composite for the full year. Dispersion is not calculated for the composites in which there are five or fewer portfolios.

Some portfolios may trade futures, options, and other potentially high-risk derivatives that may create leverage and generally represent in aggregate less than 10% of a portfolio. Benchmarks are taken from published sources and may have different calculation methodologies, pricing times, and foreign exchange sources from the composite.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow greater than or equal to 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the measurement period in which the significant cash flow occurs and the account re-enters the composite on the last day of the current month after the cash flow. Additional information regarding the treatment of significant cash flows is available upon request.

The firm's list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

FEE SCHEDULE

Global Select Equity Composite

As of 30 September 2024

The Global Select Equity Composite seeks long-term capital appreciation through investment in common stocks of established companies listed primarily on the developed world’s stock markets.

We seek to buy and own companies where we have a differentiated view on the trajectory or durability of their growth prospects that is not accurately reflected in current share prices. Further, we pursue a balanced approach that is concentrated within our best investment ideas while allowing enough diversification to manage macro risk factors. (Created January 2021; incepted December 31, 2020)

First 50 million (USD)	60 basis points
Next 50 million (USD)	55 basis points
When assets reach 100 million (USD)	50 basis points on all assets ¹
When assets reach 200 million (USD)	45 basis points on all assets ¹
When assets reach 500 million (USD)	40 basis points on all assets ¹
When assets reach 1 billion (USD)	37.5 basis points on all assets ¹
Minimum separate account size	50 million (USD)

Unlocking opportunities: Market broadening and a new chapter for emerging markets



Key Insights

- Although still in its infancy, the broadening of equity returns beyond the “Magnificent Seven” looks set to continue into 2025.
- Emerging markets are starting to show early signs of recovery and offer differentiated growth opportunities and diversification benefits. Stock selection will be crucial, however.
- Diversified stock picking, careful risk management, and a focus on fundamentals will be key to navigating through what is likely to remain a complex market environment.



Scott Berg
Portfolio Manager, Global
Growth Equity Strategy

The dynamics of equity markets are changing. The focus is shifting from the dominance of a few major tech companies to much broader market participation. A Republican victory in the U.S. is likely to continue this trend and while emerging markets are presenting unique opportunity, potential tariffs require careful selection. At the same time, U.S. policy, geopolitical tensions, U.S. and Japanese monetary policy, and China’s stimulus efforts have the potential to increase market volatility and dispersion in the near term. However, the broadening of market returns we have witnessed since the July U.S. CPI print is likely to continue.

Tech earnings growth peak, while the rest of the market reaccelerate

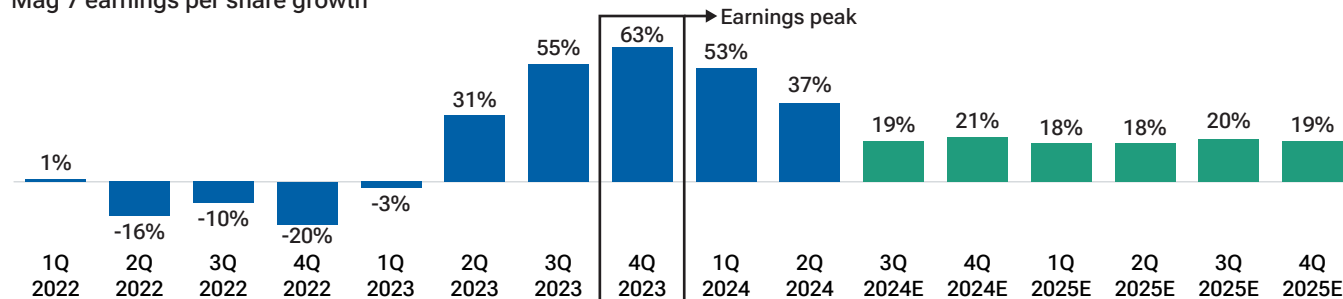
Market performance and earnings growth have been concentrated among a small cohort of companies, dubbed the “Magnificent Seven” (Apple, Microsoft, Alphabet, Amazon, NVIDIA, Meta Platforms, and Tesla) or “Mag 7.” Their returns have been heavily influenced by artificial intelligence (AI)-linked growth. Innovations in health care, and specifically GLP-1s, have also seen select companies benefit. These powerful investment trends remain, but fundamentals matter and peaking earnings growth for some of these companies point to change and lessen their appeal for investors.

**“...the broadening
of market returns
we have witnessed
since the July U.S.
CPI print is likely
to continue.”**

Mag 7 earnings outlook looks less “magnificent”...

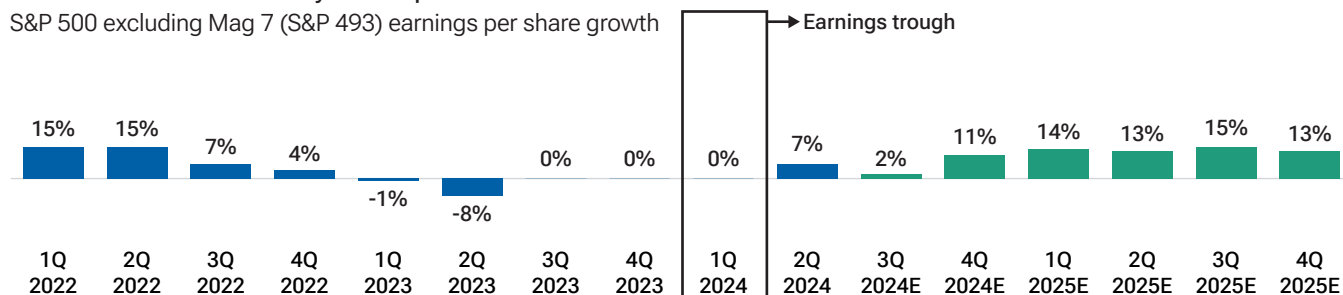
(Fig. 1) Mag 7 EPS growth peaked in fourth quarter 2023

Mag 7 earnings per share growth



...while for the “S&P 493” they have improved

S&P 500 excluding Mag 7 (S&P 493) earnings per share growth



As of August 31, 2024.

Earnings growth of the Mag 7, and S&P 500 excluding Mag 7, collectively. This is for illustrative purposes only, not a recommendation to buy or sell any security, nor is this representative of an actual investment. There is no assurance that an investment in any security was or will be profitable. E=estimated. Actual outcomes may differ materially from estimates.

Sources: Bank of America and T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved.

Figure 1 illustrates how earnings for the Mag 7 collectively peaked in the fourth quarter of 2023, while the rest of the companies in the S&P 500 Index appear on the cusp of earnings reaccelerating. By second quarter 2024, the S&P 500 Index excluding the Mag 7, or the “S&P 493” as they have come to be known, returned to positive earnings growth following five straight quarters of declines or stagnation. The diminishing dominance of the “Mag 7” has led to a rotation in sector leadership, but also coincided with mid-year volatility, a shift to defensive positioning, and increased prospects for Fed rate cuts (Figure 2). Although still in its infancy, we expect this trend to continue into 2025.

There is also a change afoot within the Mag 7 itself. The year 2024 hasn’t been nearly so dominant for this group. With the peak in earnings growth likely behind us, their appeal has deteriorated versus a broader market that is seeing earnings reaccelerate.

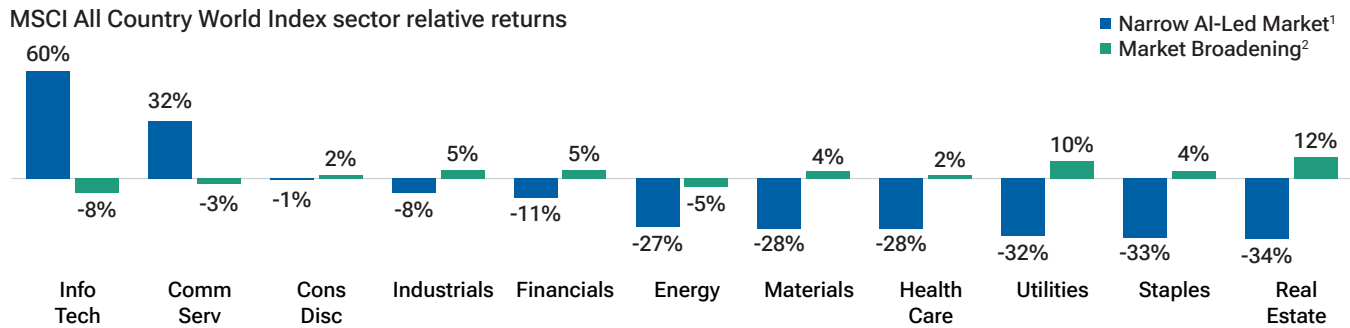
A Republican victory in the U.S. is expected to further fuel the broadening of market performance, with an overall stimulatory agenda, protectionist policy, and potential for reduced regulation favoring a wider range of U.S. companies and overall being seen as positive for domestic economic expansion. This is in contrast to a recent period of U.S. economic concerns. In our experience, fundamental momentum matters more in the short term for relative market performance, and we expect this to result in continued divergence of the Mag 7 performance.

To be clear, however, these are high-quality companies that have delivered strong profitability and free cash flow, but given their high concentration levels within market indices, we believe careful risk management of this cohort is required. We continue to treat this collective set of companies as a sector, with stock selection driving over/underweights within this group but maintaining a relatively neutral weight collectively.

Market broadening beyond “AI Winners”

(Fig. 2) Rate cuts and a soft landing outlook prompted a distinct change in market leadership

MSCI All Country World Index sector relative returns



As of September 30, 2024.

All returns are on a cumulative basis.

Past performance is not a reliable indicator of future performance.

¹ Narrow AI-Led Market: December 31, 2022, to July 10, 2024.

² Market Broadening: July 10, 2024, to September 30, 2024.

Sources: MSCI (see Additional Disclosure) and T. Rowe Price calculations using data from FactSet Research Systems Inc. All rights reserved.

At the same time, while there is a debate on whether the infrastructure and investment cycle for AI may be peaking, we do believe we are only scratching the surface in terms of the potential benefits and use cases for AI. The market may question the return on investment on AI in the near term, but we expect continued innovation and productivity to come through as companies develop their AI capabilities. This is a megatrend that is real and is not going away.

Emerging markets shouldn't be overlooked

Emerging markets—which were prominent in many portfolios throughout the 1990s and during the BRICS era—have been deeply out of favor since the global financial crisis. However, they are starting to show early signs of recovery. Emerging market equities have undergone a massive derating since 2008. They trade at around a 35% discount to their developed market (DM) peers,¹ and their weight in global indices has plummeted. Since the pandemic, things have gone from bad to worse. Emerging market shares have been hit by a strong dollar as U.S. interest rates

rose and stayed higher for longer; they have suffered from the dire performance of the Chinese economy and stock market since 2021, and in the last few years have been weighed down by general risk-off sentiment among investors and a rise in geopolitical tensions. Now, investors have the added uncertainty of anticipated tariffs from the new U.S. administration.

But China woes and U.S. dollar strength have been clouds hanging over an opportunity set far broader and more unique than a single “emerging markets” banner. General weakness of this region hides India’s outperformance of U.S. equities since 2019, EMs’ approximate 60% contribution to global gross domestic product (based on purchasing power parity),² and access to many of the world’s fastest-growing and most demographically advantaged nations. We see considerable tailwinds for segments within emerging markets and believe longer-term secular tailwinds are intersecting with shorter-term catalysts. The potential peaking U.S. interest rates/dollar, an accelerating EM-DM growth differential, and less entrenched inflation all combine to form a foundation we believe could support EM strength from here.

“The potential peaking U.S. interest rates/dollar, an accelerating EM-DM growth differential, and less entrenched inflation all combine to form a foundation we believe could support EM strength from here.”

¹ Source: Financial data and analytics provider FactSet. Copyright 2024 FactSet. All Rights Reserved.

As of September 30, 2024.

² Source: World Economics.

The impressive stimulus package announced in China could add to that momentum, but more detail and follow-through are required to assess its impact on a struggling economy. And while tariffs are a new negative headline, their size and design are still unknown and may be targeted versus a “one size fits all.” Besides, our EM optimism extends beyond China with good opportunities in emerging Asia, with Vietnam, Indonesia, and the Philippines being particularly attractive due to their demographic advantages and expected recovery from recent cyclical weakness. India remains a good investment option, but higher valuations require prudence and careful management.

Although they may have become a forgotten asset class for some, we believe EMs remain relevant. While stock picking is key, we are encouraged that the market’s recent broadening has included strength within EMs and believe it can offer differentiated growth and diversification benefits from here.

Broadening of market will allow stock selection to matter again

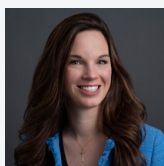
The broadening of the market’s opportunity beyond the Mag 7 is a favorable development for active investing. Opportunities are presenting themselves across regions and sectors, in contrast to a market we would characterize as being driven by two themes up until recently: artificial intelligence and health care innovation (GLP-1 incretins). And with a U.S. economy poised for an immaculate soft landing, falling global interest rates, and stimulus measures from China, the investment landscape has shown an improvement.

As we move into 2025, although geopolitical and macroeconomic factors will remain a feature for markets in the near term, careful stock selection can help to mitigate idiosyncratic risks. Long term, however, stock prices are ultimately driven by fundamental earnings power and cash flow generation. We believe diversified stock picking, careful risk management, and a focus on fundamentals will be the best way to navigate through what is likely to remain a complex market environment.

 **The broadening of the market’s opportunity beyond the Mag 7 is a favorable development for active investing.**

Meet Iona Dent

An interview with Associate Portfolio Manager, Global Growth Equity Strategy, T. Rowe Price.



BIOGRAPHY Career

Iona Dent is an associate portfolio manager for the Global Growth Equity Strategy. In this role, she assists in managing the Global Growth Equity to maximize long-term performance in accordance with its investment mandate and guidelines. She is a vice president of T. Rowe Price Group, Inc., and T. Rowe Price International Ltd.

Iona's investment experience began in 2013, and she has been with T. Rowe Price since 2016 in the Equity Division, where she built a specialty in emerging market banks. Prior to this, Iona was employed by Deutsche Bank as an equity analyst covering the consumer discretionary sector and previously worked on the equity derivatives structured products team.

Professional & Education

Iona earned a B.A. (with first-class honors) in politics, philosophy, and economics from Oxford University. She has also earned the Chartered Financial Analyst® designation.

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Iona, can you begin by telling us about your background? How did you come to pursue a career in asset management and what first brought you to T. Rowe Price?

I enjoyed pretty much every subject at school and found it difficult to specialise, as the variety excited me. So in the end, I studied a mix of sciences, languages and humanities and later chose PPE (politics, philosophy, and economics) at Oxford university.

I still remember a talk at a school careers fair when I was sixteen by a lady from Goldman Sachs who said that if you are curious about the world and like fast moving spaces, then you should consider finance or asset management. At the time, I had thought I would start my own business, following the strong entrepreneurial gene in my family. In another world, I would also have loved to be a travel journalist, back packing around the world as a global citizen and learning about different cultures and ways of life. I did some further research and realised that global investing was the perfect combination for me; I could remain intellectually curious and use my quant skills, whilst also traveling and meeting fantastic businesses globally. I started off on the sell side in derivatives and European consumer discretionary equity research in London, before moving to the buy side with T. Rowe Price in 2016.

I specifically joined T. Rowe Price as I knew the firm as a client on the investment side when I was in research. Everyone I had met seemed both smart and interesting, yet also humble and genuine. I went through the typical T. Rowe Price interview process, with 15 different interviews and a stock pitch, which was hectic but stimulating when I was simultaneously lead analyst on FTSE 100 companies, studying for the CFA and running an IPO process on the sell side! When I joined, I started off with banks, looking at Frontier Markets, Africa and the Middle East, Central and Eastern Europe, and Latin America. During my eight years as an analyst on the T. Rowe Price global research platform I expanded further into financials primarily in EM ex Asia, formally covering 37 stocks in 15 countries globally and informally looking at many more.

Can you tell us about your role as an associate portfolio manager for T. Rowe Price's Global Growth Equity Strategy? How do you interact with the other global equity managers and analysts?

I work very closely with Scott Berg, who has been running the strategy for sixteen years since its launch in 2008. Scott's 'Durable Growth' philosophy looks in 'Fertile Industries,' those with a large or growing pool of profits, for 'Share Gainers' or genuinely special companies outgrowing their peers, with management teams we trust and think highly of in terms of capital allocation, where we see valuation support and re-rating potential.

Our portfolio mandate is truly global in nature, covering some 30 countries which include 15 Emerging and Frontier markets. The investment approach is bottom up, while also keeping key macro trends top of mind. Portfolio construction is broadly sector neutral versus a core benchmark, the MSCI AC World Index. The Global Growth Strategy looks to minimise directional bets (with portfolio beta typically 1-1.05), letting stock picking within sectors drive the outcome.

In terms of interacting with other T. Rowe Price equity managers and analysts, we follow a 'best ideas' concept that leverages the entire global research platform. With 180 equity research professionals worldwide, T. Rowe Price fosters an environment in which colleagues are always happy to share their views and investment knowledge in a firm-wide collaboration. We carefully structure our time and travel as a team, each taking the lead on certain sectors or regions but debating key decisions and bets between us



all. My work trips in 2024 took me to Canada, Indonesia, the Philippines, India, Australia, Chicago, Seattle, New York, and Washington DC.

With such a geographically large and structurally diverse universe as global equities, how do you and your team decide where to focus your portfolio research effort?

Our direct investment team expanded to three last year for the first time, which allowed us to introduce a greater sector and regional division of labour between us. My primary focus is on financials, consumer staples, and industrials among global sectors, and emerging markets (EM) among regions. Phil Richards, our team analyst based in London, focuses on the global tech, consumer discretionary and healthcare sectors, and the European region.

It is important for the team to remain flexible with regard to portfolio and research responsibilities. Scott, Phil, and I will discuss and debate key ideas and market moves each week across sectors and regions. We are very much driven by the global research platform's idea generation. I also utilise quant screens highlighting interesting ideas within the opportunity set, such as consensus upgrades coming through, valuations inflecting, or broader changes within the quality growth space. Lastly, our timeline and return hurdles can help to narrow the opportunity set. For Global Growth Equity, we typically look for a 40 to 60 per cent return potential over two to three years, or roughly an annual return of 15 to 20 per cent.

Briefly, what is your outlook for the global equity markets in 2025? After such strong returns in 2024, some investors worry that much of the good economic news may already be 'in the price.'

The U.S. and China are the key drivers at the global macro level and will be vital to watch. The consumer is 70% of the U.S. economy. While the pace of job creation has slowed, companies continue to hire, while consumer balance sheets are healthy,

particularly on the wealth side in housing and the stock market. The U.S. fiscal impulse remains supportive of growth, with the potential extension of tax cuts from the Trump Administration, whilst rate cuts at the margin should feed through the transmission mechanism and be incrementally supportive in the U.S.. China may remain in a tougher place, but incremental policy stimulus should help to support growth off a low base.

From a market perspective, global earnings growth has troughed which is encouraging and should exit 2024 at high single digit levels. The market is expecting low double-digit levels for 2025, which could still be optimistic depending on how economic policy, macro trends and geopolitics play out, but is certainly directionally encouraging and plausible given the current macro backdrop. We have met multiple management teams post Trump's win, and it must be said that CEO confidence is high post the U.S. election in terms of domestic policy and deregulation in particular; there are elements of that which can become reflexive and self-fulfilling.

As such, we see a broadly constructive backdrop for corporate earnings in 2025, but perhaps some volatility in the market trajectory given the fuller starting point on valuations as you flag. That said, there are some nuances on valuations too. Global valuations are above average (though not back to their 2020/21 extremes). However, a lot of this is driven by the Magnificent 7 tech giants. Equal-weighted valuations are actually still pretty much in-line versus the past 10 years. In addition, EM stocks are trading at a 35%+ discount to the U.S., despite having some very solid companies in markets with both cyclical and secular growth tailwinds. Thus, we see some interesting opportunities there in a space that is currently under-owned in general, in the context of a strong USD improving our buying power as well. This is particularly true in South East Asia, where we see fantastic long-term markets with secular growth stories at reasonable valuations currently due to geopolitical uncertainty; any reduction in geopolitical uncertainty or resolution on tariffs could be supportive.

Loose fiscal policy and sticky inflation could reduce the scope for Fed rate cuts, resulting in rising yields. Should equity investors fear the return of the bond market 'vigilantes' in 2025?

From here, one risk for equity markets that we are monitoring closely is indeed overheating, reflected in fiscal spend and inflation prints. We believe we are seeing a return to 'more normal' long term rates. It was the decade from 2010 following the Global Financial Crisis, with its low growth, low inflation and close to zero policy rates, that was the abnormality in our view. A 4.0% to 5.5% range for the 10-year U.S. Treasury yield makes much more sense to us from here, when you think about the composition of the yield in terms of short-term interest rates, the term premium and inflation expectations in particular.

As a result, we are playing market segments where a steeper yield curve can be beneficial, such as regional financial stocks. Fiscal policy is best thought of as a range of outcomes rather than a single forecast path. Who knows what DOGE will actually bring?¹ Greater government efficiency is badly needed, and we have seen President Javier Milei deliver impressively in Argentina so far. In a bull case scenario, we could see a taste of that in the U.S. and the productivity gains from AI could be deflationary in the medium-term, offsetting some of the potential upward pressure from import tariffs. Lastly, President Trump's agenda to increase U.S. oil output could help to contain global oil prices. Energy was a key swing factor in the post-Covid inflation spike in 2021/22, so that is certainly a better position for the world economy to be in.

Looking to 2025, investors are concerned by heightened geopolitical risks like instability in the Middle East and U.S.-China tensions, added to which we now have President Trump's threat of import tariffs. Which risks, if any, keep you awake at night?

Certainly, the second Trump Administration may pose some significant risks, albeit these are relatively well appreciated by investors this time around. Geopolitics continues to generate negative financial media headlines. But there can be winners too from "China+1" global supply chain strategies, as we have seen in Vietnam and SE Asia. So at this juncture, I worry more about the 'unknown unknowns' and that is what keeps me awake at night. I have already invested through multiple 'Black swan' events, including the Global Financial Crisis, the Covid pandemic, and Russian tanks rolling into Ukraine. Lastly, the very bullish strategy outlooks from the sell side, plus optimistic retail investor positioning, are orange flags that make me wary and wanting to be somewhat contrarian with regard to overall risk appetite into 2025.

Iona, lastly can you please share with us some of your family background and personal interests. How do you usually relax outside work?

For me, family life comes first, where my 18-month old toddler keeps me both entertained and busy. In my spare time I like to travel and read. I also had the pleasure of competing for Great Britain in Equestrian Eventing and still like to ride and keep up with the equestrian world to relax.

¹ The Department of Government Efficiency (DOGE) is a new department created by President Trump to eliminate wasteful government spending.

ABOUT US

T. Rowe Price is a global independent investment management firm. We are solely focused on long-term results for our clients, managing a full range of investment strategies in multiple asset classes. For over 80 years, our consistent investment approach has helped us focus on promising opportunities while at the same time carefully managing risk.

We established our Tokyo office and Hong Kong office in 1982 and 1987 respectively, and since then we have expanded our business by operating in Australia and Singapore. Today we have more than 200 associates based locally.

INDEPENDENT ASSET MANAGER

Our sole business is managing our clients' interests

ALIGNMENT OF INTERESTS

We are a publicly listed company with substantial employee ownership

FINANCIAL STRENGTH

We maintain a strong balance sheet.

GLOBAL EXPERTISE

Continually growing global team of investment professionals

Founded in

Baltimore, USA in 1937

USD1.607

trillion in assets under management^{1, 2}

811

investment professionals worldwide³

Local presence in

16

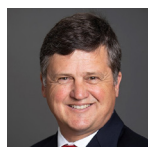
markets

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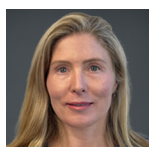
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¹ Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates. Preliminary data. Subject to adjustment.

² As at 31 December 2024.

³ As at 31 December 2024.

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